

Supreme Court, U.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1976

No.

76-998

WIENER KING, INC.,

Petitioner,

vs.

THE WIENER KING CORPORATION,
OPERATIONAL SYSTEMS, INC., and
JED ASSOCIATES,

Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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SUPREME COURT OF THE UNITED STATES

October Term, 1976

No.

WIENER KING, INC.,

Petitioner,

vs.

THE WIENER KING CORPORATION,
OPERATIONAL SYSTEMS, INC., and
JED ASSOCIATES,

Respondents.

Petition for Writ of Certiorari to the
United States Court of Appeals for the Third Circuit

The Petitioner WIENER KING, INC. respectfully prays that a Writ of Certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Third Circuit entered in this proceeding on October 21, 1976.

OPINION BELOW

The Opinion of the Court of Appeals, not yet reported, and the Opinion of the United States District Court for the District of New Jersey, as reported at 407 F. Supp. 1274, appear in the Appendix hereto.

JURISDICTION

The judgment of the Court of Appeals for the Third Circuit was entered on October 21, 1976, and this petition for certiorari was filed within 90 days of that date. This Court's jurisdiction is invoked under 28 U.S.C. §1254(1).

QUESTIONS PRESENTED FOR REVIEW

1. Does *Rule 52(a)* of the Federal Rules of Civil Procedure apply to appellate review of factual findings based upon non-demeanor evidence?

2. Does state law, common law, or federal law require that a prior user of a service mark prove, as a condition precedent to injunctive relief against a junior user, a causal relationship between public use of the prior user's services and knowledge by the public of the prior user's reputation?

STATUTES AND RULES INVOLVED

Rule 52(a) of the Federal Rules of Civil Procedure is set forth in the Appendix.

STATEMENT OF THE CASE

Plaintiff WIENER KING, INC. began using the service marks "WEINER KING" and "WEINER KING" in association with a crown in connection with the operation and sale of restaurant services in 1962 in New Jersey (App. 6a,28a). Plaintiff first used its marks in connection with its restaurant on U.S. Route 202-31 in Flemington, New Jersey in 1962. It has since expanded its operation and use of the marks to include a restaurant at Turntable Junction in Flemington, New Jersey, commencing in 1967; a restaurant in Beach Haven, New Jersey commencing in 1973 (Summer season only); and a restaurant in Flemington Shopping Mall in 1975 (App. 6a,28a).

Defendant The Wiener King Corporation began using the confusingly similar service marks "WIENER KING" and "WIENER KING" in association with a crown in North Carolina in 1970. It obtained a federal service mark registration in 1972, and in that year learned of Plaintiff's prior use of the service marks. Thereafter, in 1973, Defendant The Wiener King Corporation embarked upon a franchising program (App. 7a,30a). In 1975, Defendant actively solicited franchises in New Jersey, and contracted with Defendants Operational Systems, Inc. and Jed Associates to open restaurants in New Jersey which would employ the contested service marks.

Plaintiff thereupon instituted suit in the United States District Court for the District of New Jersey to enjoin the Defendants from using the service marks in New Jersey.¹ Plaintiff also instituted proceedings in the United

1. Plaintiff charged Defendants with false designation of origin under 15 U.S.C. §1125(a), common law unfair competition, and New Jersey unfair competition, trademark infringement, and false advertising. Federal jurisdiction was alleged under 15 U.S.C. §1121, 28 U.S.C. §1338(b), and the doctrine of pendant jurisdiction.

States Patent and Trademark Office for cancellation of Defendant's federal service mark registrations, which proceedings are stayed pending the outcome of this litigation.

The parties stipulated all of the essential facts except two. First, Defendant claimed that its mark was neither confusingly similar nor substantially identical to the Plaintiff's mark. The District Court found the marks to be confusingly similar, and that ruling was not attacked on appeal. Second, Defendant disputed the extent of the geographical area in which Plaintiff's patrons reside.

The Plaintiff submitted substantial evidence proving the geographical distribution of its patrons and its probable expansion to include all of New Jersey and part of Eastern Pennsylvania. The evidence included statistical studies of state agencies, comparable analyses by neighboring business sources and trade associations, and over 6,700 survey forms completed by the Plaintiff's patrons. The District Court found the evidence to be relevant, admissible, and the best form of evidence for determination of such an issue (App. 5a). Defendants submitted a competing survey which the Court found to contain fundamental flaws and accordingly worthy of little weight (App. 6a).

The District Court made a factual finding of Plaintiff's zone of reputation based upon the evidence presented and judicially noticed facts:

Not surprisingly, given the highway location of plaintiff's one facility, and the unique location of another (at Turntable Junction), the nature of Flemington as a tourist attraction, and its draw as a business center for furs and cut-glass, plaintiff's customers come from almost all of New Jersey's twenty-one counties, and, as well, from Pennsylvania. Based upon the materials submitted at final hearing, it is certainly clear

that the 20-mile radius I drew at a preliminary stage is inappropriate. It is also evident that, given New Jersey's status as a "corridor" state, and plaintiff's location on a well-traveled lane within this corridor, the evidence offered by plaintiff in this proceeding, while not of scientific authenticity and reliability, is entitled to some weight, and as the factfinder, I do accord it at least that weight which sees it as illustrative of the trend of plaintiff's business.

. . . What is to be drawn from such evidence is that plaintiff's businesses in Flemington serve people throughout New Jersey and, presumably, having done so for several years, will continue to do so in the future. Indeed, as our population's mobility continues to increase, plaintiff's penetration of New Jersey predictably will become more marked.

I therefore conclude that plaintiff is entitled to claim as its trade area all of New Jersey.

. . . I likewise find that plaintiff is entitled to a zone of protection extending into Pennsylvania, to be measured by a radius of 40 miles from Flemington. App. 17a, 18a.

The District Court thereafter entered an order enjoining Defendants from using Plaintiff's service marks in connection with restaurant services in the State of New Jersey and that portion of Pennsylvania within forty miles of Flemington, New Jersey (App. 24a). Defendants took an appeal from the Order.

The Court of Appeals, refusing to apply *Rule 52(a)* of the Federal Rules of Civil Procedure, reviewed the evidence and the District Court's factual finding *de novo* due to the absence of demeanor evidence (App. 34a). Assuming the admissibility of Plaintiff's evidence of patron residence, the Court overturned the District Court's finding due to the supposed absence of a nexus between proof of residence and proof of reputation (App. 34a).

In setting forth a new criterion of proof for trademark cases, the Court stated:

Proof would still be required that an individual from a particular geographical area patronized plaintiff's establishment because of plaintiff's reputation. App. 36a.

The Court reversed the District Court's finding and directed entry of an injunction for an area within a fifteen mile radius of Flemington, New Jersey.

REASONS FOR GRANTING THE WRIT

I. The decision below conflicts with the decisions of the United States Supreme Court and the decisions of every other circuit as to the application of *Rule 52(a)* of the Federal Rules of Civil Procedure to non-demeanor evidence.

Rule 52(a) of the Federal Rules of Civil Procedure provides that "Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge the credibility of the witnesses." The Court below refused to apply the "clearly erroneous" standard on the ground that the evidence submitted was non-demeanor evidence. The Court's restrictive reading of *Rule 52* is the traditional practice of the Third Circuit. See, e.g., *Surgical Supply Service, Inc. v. Adler*, 321 F.2d 536 (3rd Cir. 1962).

This Court has always held *Rule 52(a)* to be applicable to appellate review of factual findings directly or inferentially based upon non-demeanor evidence. In *United States v. United States Gypsum Co.*, 333 U.S. 364 (1948) the Court stated:

Insofar as this finding and others to which we shall refer are *inferences drawn from documents or undisputed facts*, heretofore described or set out, *Rule 52(a)* of the Rules of Civil Procedure is applicable. 333 U.S. at 394 (emphasis supplied).

In *Commissioner v. Duberstein*, 363 U.S. 278 (1960), the Court stated:

"Where the trial has been by a judge without a jury, the judge's findings must stand unless 'clearly erroneous.' Fed.R.Civ.P. 52(a). . . . The rule

itself applies also to factual inferences from undisputed basic facts, (citing *United States v. United States Gypsum Co.*, *supra.*), as will on many occasions be presented in this area." 363 U.S. at 291 (emphasis supplied).

Finally, in *United States v. Singer Mfg. Co.*, 374 U.S. 174 (1963), this Court reiterated its position in *United States v. United States Gypsum Co.*, *supra.*, and applied the "clearly erroneous" standard of *Rule 52(a)* to review of conclusions based upon inferences drawn from documents or undisputed facts. 374 U.S. at 194 n.9.

This Court's view is along the lines of the clear intent of the rule. The Advisory Committee Note of 1937 to the original rule stated that the "clearly erroneous" test is applicable to all classes of findings in cases tried without a jury whether the finding is of a fact concerning which there was conflict of testimony, or of a fact deduced or inferred from uncontradicted testimony." Judge Charles E. Clark, the draftsman of *Rule 52*, always maintained that the Rule was meant to apply the "clearly erroneous" test to non-demeanor evidence.² In 1955 the Advisory Committee criticized the cases which applied *de novo* review to non-demeanor evidence and reaffirmed Judge Clark's analysis.

In *Surgical Supply Services, Inc.*, *supra.*, the Third Circuit held *Rule 52(a)* inapplicable to review of factual findings based upon non-demeanor evidence since it believed such inapplicability to be the general rule:

It has been uniformly held by this Court and others that under these circumstances the findings of fact are reviewable on appeal, free of the impact of the said rule. 321 F.2d at 536.

2. See Clark, *Special Problems in Drafting and Interpreting Procedural Codes and Rules*, 3 Vanderbilt L. Rev. 493 (1950).

That holding has been severely criticized by noteworthy commentators on the basis that inapplicability of *Rule 52(a)* to review of findings based upon non-demeanor evidence was *never* uniformly held. 9 Wright & Miller, *Federal Practice & Procedure*, §2587 n.30 (1971). Furthermore, *Surgical Supply Services, Inc.*, *supra.*, relied for support upon various cases from the Second, Fifth and Seventh Circuits decided between 1950 and 1951. These and all other circuits have since abandoned their previous holdings and have more recently held that the "clearly erroneous" standard of *Rule 52(a)* is applicable to review of findings based upon non-demeanor evidence. See e.g. *Leach v. Crucible Center Co.*, 388 F.2d 176 (1st Cir. 1968); *Lamont v. Comm'r*, 339 F.2d 377 (2d Cir. 1964); *Piedmont Minerals Co. v. United States*, 429 F.2d 560 (4th Cir. 1970); *United States ex rel. Citizens Nat. Bank of Ontario v. Stringfellow*, 414 F.2d 696 (5th Cir. 1969); *H.K. Porter Co. v. Goodyear Tire & Rubber Co.*, 437 F.2d 244 (6th Cir. 1971); *A.L.B. Theatre Corp. v. Loew's Inc.*, 355 F.2d 495 (7th Cir. 1966); *Worthen Bank & Trust Co. v. Franklin Life Ins. Co.*, 370 F.2d 97 (8th Cir. 1966); *Snider v. England*, 374 F.2d 717 (9th Cir. 1967); *United States v. Goldfiled Corp.*, 384 F.2d 669 (10th Cir. 1967); *Bishop v. United States*, 233 F.2d 582 (D.C. Cir. 1955), *reversed on other grounds* 350 U.S. 961 (1956).

There is a well-grounded policy against *de novo* review of findings based upon non-demeanor evidence. The guarantee of *de novo* review is an open invitation to litigants to lie low in the District Court and to subsequently retry the entire case on appeal if the District Court's decision is adverse. The ultimate effect is to overload appellate dockets with cases which otherwise would be ended at the District Court level. Those courts which hold *Rule*

52(a) applicable have recognized this for quite some time, as noted in the decision in *Pendergrass v. New York Life Ins. Co.*, 181 F.2d 136 (8th Cir. 1950):

The entire responsibility for deciding doubtful fact questions in a nonjury case should be, and we think it is, that of the district court. The existence of any doubt as to whether the trial court or this court is the ultimate trier of fact issues in nonjury cases is, we think, detrimental to the orderly administration of justice, impairs the confidence of litigants and the public in the decisions of the district courts, and multiplies the number of appeals in such cases. 181 F.2d at 138.

The Ninth Circuit's analysis is particularly policy-oriented in this regard, as set forth in the often-cited decision of *Lundgren v. Freeman*, 307 F.2d 104 (9th Cir. 1962):

Rule 52(a) should be construed to encourage appeals that are based on a conviction that the trial courts' decision has been unjust; it should not be construed to encourage appeals that are based on the hope that the appellate court will second-guess the trial court. Rule 52(a) explicitly clearly applies where the trial court has not had an opportunity to judge the credibility of witnesses. 307 F.2d at 114.

Finally, the prospect of *de novo* review which permits the lackadaisical litigant to lie low will contemporaneously discourage the serious litigant from obviating the need for live witnesses by stipulation. In the case at bar the parties voluntarily stipulated an extensive number of critical facts and "agreed that the court may consider as in-court testimony certain depositions and affidavits." Absent such agreement, Plaintiff was willing to present

three trial days of live testimony. Precisely the same procedure was followed in the case of *Custom Paper Products Co. v. Atlantic Paper Box Co.*, 340 F. Supp. 897 (D. Mass. 1972), *aff'd* 469 F.2d 178 (1st Cir. 1972):

The case, by stipulation of counsel, was submitted to the court for resolution on the basis of affidavits and various other documentary exhibits, photographs, depositions, etc. No live testimony was proffered by either side. 340 F. Supp. at 898.

The non-prevailing party then sought a new trial in the Court of Appeals, which declined the request:

Because the evidence was all documentary and by depositions and affidavits, the (appellant) urges us to review the evidence *de novo* and make our own findings.

. . . While in some instances the fact that the district court saw live witnesses may reinforce his conclusions in the area of credibility, * * *, the basic principle remains the same: if the district court's findings, considering the record as a whole, whether based on live or other types of evidence are reasonably supported, they must stand. *Our appellate function does not differ just because the parties expedited the trial by obviating the need of live witness.* 469 F.2d at 179 (emphasis supplied, citations omitted).

For the reasons set forth above, Plaintiff respectfully submits that the Third Circuit's ruling in this case presents a conflict justifying the grant of certiorari.

II. The opinion below has decided an important question of state law, common law, and federal law in a way in conflict with applicable state law, common law, and federal law.

The Court below has set forth a standard of proof in trademark law that is substantially new and contrary to state, common, and federal law. The essence of the Court's ruling is that injunctive relief against a junior service mark user's use of the mark in an area wherein patrons of the prior user reside requires more than proof of the prior user's rendering of its services to its patrons in connection with the mark. The Court now requires proof that the patrons, who have been exposed to the mark and have actually partaken of services connected therewith, have patronized the prior user because of their knowledge of the prior user's reputation. App. 36a.

Petitioner submits that this standard of proof subverts the prior law and the current policy bases therefor. The federal law of trademarks is embodied in the Lanham Act, 15 U.S.C. § 1051 *et seq.* One of the explicit purposes of the federal law is to regulate commerce by making actionable the deceptive and misleading use of marks in commerce. 15 U.S.C. § 1127. Where marks are registered, the proof required to sustain injunctive relief is proof showing the Defendant's use to be "likely to cause confusion, or to cause mistake." 15 U.S.C. § 1114(1).

State law in the jurisdiction in question is wholly in accord with the federal law, and embodies the same test as precondition for relief, namely that the Defendant's mark be shown to be "likely to cause confusion or mistake." N.J.S. 56:3-13.11.

Both federal and state law are codifications of the present common law test for trademark infringement, as

evolved in the decisions of this Court and others. As early as 1878, this Court stated:

What degree of resemblance is necessary to constitute an infringement is incapable of exact definition, as applicable to all cases. All that courts of justice can do, in that regard, is to say that no trader can adopt a trademark, so resembling that of another, trader, as that ordinary purchasers, buying with ordinary caution, are likely to be misled. *McLean v. Fleming*, 96 U.S. 245, 251 (1878).

Two years later the Court stated:

Proof of actual intent to defraud is not required, but it is sufficient if the court sees that the trade-mark of the complainant is simulated in such a manner as probably to deceive the customers and patrons of the trade and business. *Amoskeag Mfg. Co. v. Trainer*, 101 U.S. 51, 65 (1880).

Accordingly, false designation of origin cases or trademark infringement cases brought under the state, common, or federal law impose upon the Plaintiff the requirement of proving *likelihood* of confusion. Prior user's have never been held to a standard of proof that confusion is certain or inevitable, or that actual confusion has occurred. The overriding policy is not so much the vindication of the Plaintiff's business rights as it is the protection of the public. See, *Metropolitan Life Insurance Co. v. Metropolitan Insurance Co.*, 277 F.2d 898 (7th Cir. 1960).

The Opinion of the Court below sets forth a standard which is addressed solely to vindication of the Plaintiff's rights and wholly disregards the public interest embodied in the state, common and federal law. In requiring direct proof of actual knowledge of Plaintiff's reputation by those patrons who have been exposed to Plaintiff's services and

have been exposed to Plaintiff's mark, the Court has set forth a rule requiring proof of certain or inevitable confusion, rather than the likelihood of confusion. Moreover, the Court's rule would require a level of proof that would be impractical if not impossible to obtain, and therefore it would foreclose meritorious trademark suits that would be sustainable under the prior law.

Another serious consequence of the decision below is that the new rule as to elements of proof has been promulgated without any guidelines as to the form of proof required. The opinion below is so vague that the District Court on remand certified two issues for clarification. App. 42a-45a. All parties petitioned for leave to appeal but the Court of Appeals refused to clarify those issues which all parties and the District Court had brought before it as well as the clarification sought by Plaintiff as to the form of proof required under the new rule. App. 46a-57a.

No such strict standard has been applied in restaurant cases before, even though the relief granted has been well in excess of the relief sought in this case. All applicable law establishes that reputation is inferred to the limits of exposure, and that direct proof of a causal link between is not necessary. Thus, in *Stork Restaurant v. Sahati*, 166 F.2d 348 (9th Cir. 1948), the Plaintiff introduced evidence of extensive exposure to persons across the country. Reputation was inferred, and the Plaintiff owner of a single restaurant in New York obtained an injunction against use of its tradename and service marks by a single restaurant enterprise in California.

Plaintiff in the within case does not claim such an extensive exposure, only exposure throughout the state of New Jersey by virtue of Plaintiff's key location and the length of time Plaintiff has provided its services (14 years).

Thus, inference of reputation over the area of exposure was properly undertaken by the District Court, and improperly reversed by the Court of Appeals.

This Court has not undertaken an interpretation of the Lanham Act and its policy bases heretofore, and Petitioner submits that the time is ripe. For the reasons stated above, Peitioner further submits that the Third Circuit's ruling in this case presents a conflict justifying the grant of certiorari.

CONCLUSION

For the above-stated reasons, Petitioner respectfully prays that a writ of certiorari should issue to review the judgment and opinion of the Third Circuit.

Respectfully submitted,

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APPENDIX A

MEMORANDUM OPINION OF THE UNITED STATES DISTRICT COURT

District of New Jersey

Civil No. 75-1018

WIENER KING, INC.,

Plaintiff,

vs.

THE WIENER KING CORPORATION, OPERATIONAL
SYSTEMS, INC., JED ASSOCIATES, ROBERT ALEX,
CARY ALEX, JOSEPH E. DIAZ, FRANK M. LEO and
other unknown persons, individually,

Defendants.

MEMORANDUM OPINION

LACEY, District Judge:

This action involves the respective rights of the parties to certain trade and service marks and the interaction of the common law of trademarks with the Lanham Act (15 U.S.C. Sec. 1051 *et seq.*).

Plaintiff, a New Jersey corporation (WKNJ), has its principal place of business in Flemington, New Jersey, where since 1962 it has operated a restaurant facility under the name "Weiner King," (N.B. "ei"), using the design "Weiner King" and a crown. It sues to enjoin the defendants from using within New Jersey the name "Weiner

King," (N.B. "ei") and the design "Wiener King" and a crown in, on and at restaurants which will, when opened, specialize in selling the same product plaintiff sells, "hot dogs."

The defendants are as follows:

Defendant The Wiener King Corporation (WKNC) is a corporation organized under the laws of the State of North Carolina and has its principal place of business in Charlotte, North Carolina.

Defendant Operational Systems, Inc., is a corporation organized under the laws of the State of Delaware with its principal place of business in New Jersey.

Defendant Jed Associates is a corporation organized under the laws of the State of New Jersey with its principal place of business in New Jersey.

Defendant Robert Alex is an individual residing at 6 Appletree Lane, East Brunswick, New Jersey, and is president of defendant Operational Systems, Inc.

Defendant Cary Alex is an individual residing at 25 Monroe Place, Brooklyn, New York, and is a principal in defendant Operational Systems, Inc.

Defendant Joseph Diaz is an individual maintaining a real estate practice in Bloomfield, New Jersey, and is the registered agent of defendant Jed Associates.

Defendant Frank M. Leo is an individual residing in Nutley, New Jersey, and is president of defendant Jed Associates.

Plaintiff's complaint alleges (Count I) that plaintiff is the prior user of the disputed trade and service marks, having first used them in 1962; defendant WKNC did not

use its marks until 1970, in North Carolina; WKNC now proposes to enter into business in New Jersey, through the sale of franchises for restaurant facilities similar to plaintiff's, using as the name of such facilities the allegedly infringing marks, all with knowledge of plaintiff's preexisting rights to the exclusive use of said marks; the other defendants are involved in the proposed franchising; and defendants' proposed action constitutes a false designation of origin and a false representation, and otherwise is in violation of plaintiff's rights under 15 U.S.C. Section 125(a) and 1126. Jurisdiction is claimed under 15 U.S.C. Sec. 1121.

The remaining counts claim "Common Law Unfair Competition" with jurisdiction under 28 U.S.C. Sec. 1338(b) (Count II); "New Jersey Unfair Competition" under pendent jurisdiction principles (Count III); "New Jersey Trademark Infringement" under pendent jurisdiction principles (Count IV); and "New Jersey Fraudulent Advertising" under pendent jurisdiction principles (Count V).

In addition to the injunctive relief sought, plaintiff seeks accounting of profits, costs, and cancellation of WKNC's federally registered marks, under 15 U.S.C. Section 1064(a) and 1119.

Defendants' answer denied the material allegations of the complaint, including the averments of subject matter jurisdiction. The defendants WKNC, Jed Associates, Diaz and Leo also counterclaimed under the Lanham Act and under the common law, claiming plaintiff's Beach Haven "Wiener King" facility infringes WKNC's registered service mark.

This court has subject matter jurisdiction over the claim asserted in Count I of the complaint under 15 U.S.C. Sections 1121 and 1125(a), although not under Section 1126.

L'Aiglon Apparel v. Lana Lobell, Inc., 214 F.2d 649 (3d Cir. 1954); and will, in the exercise of its discretion, assume jurisdiction over the remaining pendent state claims. *United Mine Workers of America v. Gibbs*, 383 U.S. 715 (1966).

Before addressing the issues in the case at bar it is noted that the plaintiff and defendant WKNC are also contesting in the Patent and Trade Mark Office. Plaintiff there seeks to register its own marks and cancel WKNC's 1972 registrations. WKNC seeks concurrent registration, under which WKNJ would be granted use in Hunterdon County, New Jersey, and WKNC would be granted use in the balance of the United States. On November 7, 1975, these proceedings, having been consolidated, were stayed by the Trademark Trial and Appeal Board until this suit is concluded. It is further noted that the parties in this proceeding have suggested that this court deal with the cancellation and concurrent registration problems.

Prior Proceedings

At the outset of suit, upon plaintiff's application, this court preliminarily enjoined defendants from using their mark in New Jersey within 20 miles of Flemington and within 20 miles of Beach Haven. At the same time, the parties were advised that this court saw as a critical issue the extent of plaintiff's trade territory wherein it was entitled to protection as a prior user of its mark. Accordingly, the parties were instructed to submit statistical data and other information to illumine this area of dispute.

Thereafter the parties pursued discovery, pretried the matter, stipulated numerous facts, and submitted the case to this court for final determination following submission of briefs and oral argument.

To expedite disposition of this matter I am placing this opinion into the record.

The Facts

Most of the critical facts have been stipulated. The parties have also agreed that the court may consider as in-court testimony certain depositions and affidavits.

The parties also have tendered for the record certain statistical studies and reports purporting to show traffic flow in the Flemington, New Jersey, area; the tourist "draw" of Flemington; the business done—by customers' residences—by certain Flemington industries; and customer surveys at plaintiff's restaurants.

All of this material will be accepted in evidence. All of it has relevance, and is entitled to some weight and, of course, except as to plaintiff's questionnaires, hearsay objections were waived (Tr. Dec. 10, 1975, 57 *et seq.*).

As to the questionnaires—and customers' responses thereto—they are admitted over defendants' hearsay objection. *Id.*, 58. Plaintiff had actual customers indicate where they resided. What better way is there to ascertain where people who patronize plaintiff's restaurants reside? While it is true that a certain amount of facetiousness crept into a limited number of responses, the court is confident that the results can be relied upon to the extent that they reveal broad percentages and trends of use. There is no suggestion that customers from the vicinity of Flemington were induced to fabricate their responses to reflect they came from afar. On the other hand, as to the meaning and weight to be given to this evidence, it supports only the argument that people from various points, driving by, drew up and visited plaintiff's restaurant. Doubtless many if not all from the Flemington area went to

plaintiff's restaurant. People from Bergen or Essex County or other remote points, so far as the evidence indicates, did not leave their homes for a snack at the Weiner King; no claim is made of such uniqueness of specialty as would induce this activity. At best, from plaintiff's point of view, while driving in the area, people stopped for the light meal plaintiff offers. Then, having been exposed to the "Weiner King" mark of identification, they now serve as means of carrying plaintiff's name home into their areas of residence. It is on this basis that all of plaintiff's data will be considered. Cf. *Zippo Manufacturing Co. v. Rogers Imports, Inc.*, 216 F. Supp. 670, 683 (S.D. N.Y. 1963); and see authorities cited in *Grotian Helferich Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331 (2d Cir. 1975).

Insofar as the Roper poll is concerned, I find it of very little assistance in dealing with the issue presented here. Accordingly, it will be given little weight.

From the stipulated facts, and those developed by the submissions and generally uncontested, the following are adjudged to be critical.

Plaintiff was the first user but has never obtained federal registration for its mark, first used in Flemington, New Jersey, in 1962; plaintiff opened a second Flemington facility in 1967, first expanded beyond Flemington when it opened a facility in Beach Haven, New Jersey, in 1973, and opened a fourth facility, in Flemington, in 1975.

Defendant WKNC, second user, innocently adopted its mark in North Carolina in 1970, and obtained federal registrations by May in 1972; no opposition had been filed to such registration and by May 1972 WKNC had 11 "Wiener King" company-owned restaurants in operation. At oral argument WKNC's counsel stated there were now 61 res-

taurants open, 9 under construction, and 35 under site development, in 20 states. Many of these have come about, of course, after WKNC first learned of plaintiff's mark. Plaintiff has not sought, however, to enjoin any one of them until this suit was brought.

WKNC first learned in late 1972 of the incorporation of plaintiff in New Jersey in 1966 under the name Wiener King, Inc., and first learned in July 1972 of plaintiff's use on Highway 31-202 of the words "Weiner King" within a crown-shaped design. At this time WKNC had not yet come into, and, apparently, had not made plans to come into New Jersey.

After learning of plaintiff's use of its mark in Flemington, WKNC offered for sale, and advertised for the purpose of offering for sale, franchises throughout the United States, including New Jersey; and at least one such franchise has been sold in New Jersey, with defendant planning to operate it in Ramsey, New Jersey. Tr. Dec. 10, 1975, 67.

Plaintiff has advertised very little and then only in and near Flemington; and its first facility outside of Flemington, opened in Beach Haven in August 1974, was opened with knowledge of WKNC's service mark registrations. Plaintiff has never actively advertised or solicited the sale of franchises for restaurants to operate under the name "Weiner King" or "Wiener King."

Other facts will be referred to in connection with the discussion which follows hereinafter.

Based upon the foregoing, plaintiff claims it is entitled to exclusive use of its mark throughout the State of New Jersey. Defendants, conceding plaintiff has "some rights in the mark 'Weiner King,'" respond (Defts.' Factual Contentions):

Plaintiff admittedly has some rights in the mark "Weiner King" and the territorial scope of these rights is defined by Plaintiff's actual trade area as it existed as of the dates of Defendant Wiener King Corporation's service mark registrations (1972). Since Plaintiff's history of operation was limited to Flemington, New Jersey, and its advertising minimal this actual trade area was properly only the town of Flemington, New Jersey. The professionally designed, conducted and analyzed Roper Organization study bears this out with the specific definition of trade area being no greater than that portion of New Jersey included within a fifteen-mile radius of Flemington.

Defendants add (*Ibid.*):

Plaintiff is entitled to no rights for its limited use of "Wiener King" in Beach Haven, New Jersey since that use was not commenced until after the dates of Defendant Wiener King Corporation's service mark registrations. Nonetheless, the Roper Organization study shows that any hypothetical rights of plaintiff would be limited to Long Beach Island.

Discussion

Involved here is the matter of concurrent use of trademarks, that is, the use of what is essentially the same mark by two parties to identify the same goods and services. The controversy here arises out of facts which show a prior user, WKNJ, which failed to register under the Lanham Act and confined its operating and advertising to a narrow geographical area, Flemington, New Jersey, contesting the right of a subsequent user, WKNC, which, having previously innocently adopted and federally registered its mark, now seeks to move into a trade area, New Jersey, which plaintiff claims as its own.

Defendant WKNC unquestionably was an innocent and "good faith" adopter when in 1970 it commenced business in North Carolina. Its expansion was rapid, and in ignorance of plaintiff's mark, until late 1972, by which time it had obtained federal registration of its mark. After learning of plaintiff's mark, WKNC continued to expand on a very substantial basis, and embarked upon a franchising program. Plaintiff took no steps to halt WKNC's activities until its expansion brought it into New Jersey. Only then was suit instituted. A careful balancing of the interests of the public and the parties, in the light of the facts and the somewhat uncertain state of trademark law related to concurrent use, is required to resolve the controversy which thus arises.

Plaintiff's federal claim is founded upon 15 U.S.C. Section 1125(a), which in pertinent part provides:

Any person who shall . . . use in connection with . . . services . . . a false designation of origin, or any false description or representation, including words or other symbols . . . shall be liable to a civil action . . . by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

It should be noted at the outset that a cause of action under the above section is not dependent on possession of a federally registered trademark. *Potato Chip Institute v. General Mills, Inc.*, 333 F. Supp. 173, 179 (D. Neb. 1971). "The misconceptions are obviously attributable to the fact that section 43(a) is a part of the Trademark Act where, of course it does not logically belong." 1 Callmann, *The Law of Unfair Competition Trademarks and Monopolies*, Sec. 18.2(b) at 622 n. 26 (3d ed. 1967) (Callmann).

The common law of trademarks is a part of the law of unfair competition. 3 Callmann, Sec. 67.1 at 53. Basic to an analysis of plaintiff's rights under Sec. 1125(a) are *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916) and *United Drug Co. v. Rectanus Co.*, 248 U.S. 90 (1918). At common law the exclusive right to a trademark rested upon appropriation and use. The Supreme Court in *Hanover* held that a prior user has exclusivity only within the geographical area of use, and that a subsequent good faith user without notice of prior use was entitled to the concurrent use in his own market, provided it is remote from the market of the prior user. Neither party in *Hanover* had a registered mark. The Court applied what it referred to as "common-law principles of general application," 240 U.S. at 411, under which, it stated, the doctrine of "priority" or "prior appropriation" was inapplicable. Thus the Court said (240 U.S. at 415):

In the ordinary case of parties competing under the same mark in the same market, it is correct to say that prior appropriation settles the question. But where two parties independently are employing the same mark upon goods of the same class, but in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant (footnote omitted).

Two years later, in *Rectanus*, the mark involved was federally registered under the Trademark Act of 1881. Again the Court held that a prior user could not bar a subsequent user from using the mark in his own trading area. This rule of law has not been changed by the Lanham Act's provisions. *American Foods, Inc. v. Golden Flake, Inc.*, 312 F.2d 619 (5th Cir. 1963).

The next analytical step is the comparison of the competing marks. The test is likelihood of confusion. Thus, assuming the same market area (unlike *Hanover* and *Rec-*

tanus), a trademark owner, having proved priority of appropriation and use, is afforded protection if the subsequently used mark would be likely to cause confusion of the source or origin of the goods or services involved. *Hanover Star Milling Co. v. Metcalf*, *supra*, 240 U.S. at 415.

There is no doubt that, within its trade or market area, plaintiff, as the prior user of "Weiner King," is entitled to protection against WKNC's "Wiener King." The marks are confusingly similar. The distinction between "ei" and "ie" is insignificant; it will cast no impression of difference upon the average patron of plaintiffs or defendants' restaurants. This is particularly so when the crown is considered. Not only do the marks appear the same. They are pronounced the same, notwithstanding the valiant effort by defendants' counsel, who would pronounce plaintiff's mark as "Wi'ner." *Grotrian, Helferich Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331 (2d Cir. 1975); *LaTouraine Coffee Co. v. Lorraine Coffee Co.*, 157 F.2d 115, 117 (2d Cir.), *cert denied*, 329 U.S. 771 (1946); *accord*, *David Sherman Corp. v. Heublein, Inc.*, 340 F.2d 377, 380 (8th Cir. 1965). The two marks thus may not coexist in the same trade area; and plaintiff, as the first user, achieves exclusivity by virtue of its common law right to protection, a right not cut off by defendants' federal registration under the Lanham Act, even if said registration was validly obtained and is sustained. *United Drug Co. v. Rectanus Co.*, *supra*; *Holiday Inns of America, Inc., v. B & B Corp.*, 409 F.2d 614 (3d Cir. 1969). In this sense it can be said the Lanham Act did not change preexisting trademark law. It is appropriation and use, not federal registration, which gives rise to the right to a trademark. This is evident in the Lanham Act itself which provides for the preservation of existing rights. 15 U.S.C. Sec. 1051.

Defendant Wiener King Corporation, moreover, has not overlooked the inherent confusion. This is implicit in its

application to the Patent and Trade Mark Office for concurrent registration. It is explicit in defendants' counterclaims which assert that, with knowledge of defendants' federal registration of WKNC's service marks, plaintiff used at its Beach Haven facility its service mark, which "uses constitute infringement of defendant Wiener King Corporation's service mark rights and cause likelihood of confusion, deception or mistake, all in violation of 15 U.S.C. Sec. 1114."

Of course there has as yet been no *actual* confusion demonstrated because defendants have not yet opened a restaurant in New Jersey. It is plaintiff's purpose in bringing this action to preclude them from doing so. Given the likelihood of confusion as described, we must now consider the geographic reach plaintiff's protection should be given, that is, what is plaintiff's trade area within which it can enjoy the exclusive use of its mark?

Plaintiff's first position, seemingly fashioned from Mr. Justice Holmes concurring opinion in *Hanover*, 240 U.S. at 424, is that something akin to a *per se* rule operates to make a market area co-extensive with the state's boundaries. Holmes assumed that every valid mark is entitled, at a minimum, to state-wide protection and that if a mark "is good in one part of the state, it is good in all." This rule has been rejected by numerous courts, including this Circuit. *Jacobs v. Iodent Chemical Co.*, 41 F.2d 637 (3d Cir. 1930); *Burger King, Inc. v. Hoots*, 403 F.2d 904 (7th Cir. 1968); *Food Fair Stores, Inc. v. Square Deal Market Co.*, 206 F.2d 482 (D.C. Cir. 1953), *cert. denied*, 346 U.S. 937 (1954); *Katz Drug Co v. Katz*, 89 F. Supp. 528 (E.D. Mo. 1950), *aff'd.*, 188 F.2d 696 (8th Cir. 1951). Nor is plaintiff's contention strengthened by its having obtained a New Jersey registration. N.J.S.A. 56:3-13.1, *et seq.* In the first place, there is considerable doubt about the validity of the

registration, as is best evidenced by the various corrective steps taken by the plaintiff itself after its initial effort at registration. Beyond that, however, there is nothing in the state statutory fabric which can be read as overriding the *Hanover-Rectanus* doctrine. To the contrary, N.J.S.A. 56:3-13.13 expressly preserves this common law rule.

We turn next to plaintiff's argument that its statistical and survey data show its trade area to be statewide. The starting point in this analysis is that the actual locale of plaintiff's business was, from 1962 to 1974, Flemington, New Jersey, with no expansion until 1974 when it opened a seasonal restaurant in Beach Haven, New Jersey. Conceptually, plaintiff is entitled to areas of predictable potential expansion, zones of advertising, and so-called "reputation zones." See *Sweetarts v. Sunline, Inc.*, 436 F.2d 705 (8th Cir. 1971); and authorities cited in Comment, *The Scope of Territorial Protection of Trademarks*, 65 Nw. U.L. Rev. 781 (1970). Consideration of these factors follows.

Expansion: Plaintiff has the right to have considered its entitlement to protection of its mark in what Callmann calls a "zone of potential expansion." 3 Callmann, *supra*, Section 76.3(b)(2), 317. This is because a prior user, naturally enough, deserves such protection not only in the immediate area of its current physical plant but also within that area to which it can reasonably be expected to expand. Cf. *Hanover Star Milling Co. v. Metcalf*, *supra*, 240 U.S. at 420. To determine this "zone of potential expansion" with exactitude is impossible. We can only rely upon what has occurred and what is said to be planned.

Plaintiff, from 1962 to 1974, operated only two facilities, both in Flemington, and advertised only modestly, again in the Flemington area. It opened its Beach Haven facility, a seasonal restaurant on the Jersey shore, only after having learned of WKNC's federal registrations. Plaintiff was thus

content (or required) to maintain a small and locally oriented operation for some 13 years; and even now it does not claim it plans to open restaurants at sites in New Jersey other than Flemington (and Beach Haven). Accordingly, the expansion factor is given little weight in this trade area analysis.

Advertising: As has been mentioned, plaintiff's advertising has been negligible; and it cannot be said that plaintiff's trade area has been enlarged appreciably beyond the Flemington area by advertising.

Reputation zone: Plaintiff's claim to statewide protection rests largely upon this factor. 3 Callmann, *supra*, Section 76.3(b)(1), 312:

Even without . . . advertising or other special efforts by its owners, the fame of a mark may extend beyond the immediate selling market. The area thus affected can be called its reputation zone. Modern progress in transportation and communication defies boundaries and renders static legal concepts obsolete. The traveler, who is introduced to an article unknown in his locale often "returns home and sings the praises of the article to his friends"; he indirectly opens a potential market at a point far distant from that directly solicited by the manufacturer. This is more the rule than the exception. . . . And to gourmets the world over, the name of a restaurant may become an international hallmark even without the aid of newspapers and radio. . . .

Cf. 51 West 51st Corp. v. Roland, 139 N.J. Eq. 156, 50 A.2d 369 (Ch 1946) (Toots Shor Restaurant in New York—Toots Shores in Atlantic City); *see also Ambassador East, Inc. v. Orsatti, Inc.*, 257 F.2d 79 (3d Cir. 1958); *Stork Restaurant, Inc. v. Sahati*, 166 F.2d 348 (9th Cir. 1948).

Callmann treats as "probably anachronisms today" early cases which "proceeded on the rather unsophisticated assumption" that the trade area of a retail store, or theatre, or service station, was 50-70 miles. Callmann, *supra* Sec. 76.3(b)(1), 314. What then is plaintiff's "reputation zone" and what factors are to be considered in arriving at it?

One factor which, while seemingly extraneous, should be reviewed in light of decisional law, is the subjective motive of WKNC. It is true that while WKNC's original adoption of its mark was innocent and in good faith in that it was without knowledge of plaintiff's mark, WKNC's proposed entry into New Jersey cannot be said to be innocent in that sense. Indeed, a considerable amount of its natural expansion, and its franchising, came only after it learned of plaintiff's mark. There is some authority for concluding that this is a case of good faith adoption not bad faith expansion. *Tie Rack Enterprise, Inc. v. Tie Rak Stores*, 168 U.S.P.Q. 441 (TTAB 1970). However, *Tie Rack*, even assuming it to be correct on its facts, *cf. Hanover Star Milling Co. v. Metcalf, supra*, is not only not binding upon this court; it is readily distinguishable.

Reason and common sense compel the conclusion that the defendants are not seeking to trade upon or profit from the name and reputation of another, the plaintiff. Instead they seek to gain from their own goodwill, founded upon the use of "Wiener King" throughout a large part of the United States. To put it succinctly, this is not a "palming off" case where the subsequent user attempts to confuse the public into believing his product is that of the prior user.

Nor do we have here a gourmet restaurant run by a prior user whose patrons, out of a fondness for his unique menu and finely cooked food, can be expected to make their way to defendants' restaurants, thinking there to be similarly winned and dined. To put it baldly, these are "hot dogs" we are talking about, not Chateaubriand with Sauce Bearnaise.

Nor is there a claim made by plaintiff here that its reputation as a purveyor of "hot dogs" of excellent quality is likely to be tarnished or diminished by defendants' sale of an inferior product with inferior service. For all that the record shows, defendants' food and services are at least the equal of plaintiff's in quality.

Given all these negative factors, plaintiff is still entitled to protection of its mark in its reputation zone, and this notwithstanding WKNC's federal registration. *Cf. Mariniello v. Shell Oil Company*, 511 F.2d 853, 857-58 (3d Cir. 1975); "... Despite the adoption of a uniform federal registration scheme, local trademarks may be enforced by statute or common law unless conflicts develop with a national trademark." In a footnote to this textual provision the Court of Appeals also stated (*Id.*, 858 n. 22):

Even where collisions occur with federal trademark holders, the Act provides that earlier local use of identifying names may prevail over national trademarks within a circumscribed zone. 15 U.S.C. Sec. 1115(b)(5). See *Mister Donut of America, Inc. v. Mr. Donut, Inc.*, 418 F.2d 838 (9th Cir. 1969); *John R. Thompson Co. v. Hollaway*, 366 F.2d 108 (5th Cir. 1966).

Cf. Safeway Stores, Inc. v. Safeway Quality Foods, Inc., 433 F.2d 99 (7th Cir. 1970); *In re Beatrice Foods Co.*, 429 F.2d 466 (C.C.P.A. 1970).

What then is the measure of the reach of plaintiff's mark?

Plaintiff's reputation zone cannot be measured with mathematical exactitude. The assembled data, while illuminating and helpful, falls short of establishing conclusively the farthest reaches of plaintiff's trade area. Yet I can only rely upon what I have, and from such data derive inferences which represent my best effort to resolve this troublesome question.

Preliminarily, I take "trade area" to mean that geographical area from which plaintiff's customers are drawn through (a) awareness of plaintiff's facilities; and (b) resultant good will flowing from use of such facilities. Not surprisingly, given the highway location of plaintiff's one facility, and the unique location of another (at Turntable Junction), the nature of Flemington as a tourist attraction, and its draw as a business center for furs and cut-glass, plaintiff's customers come from almost all of New Jersey's twenty-one counties, and, as well, from Pennsylvania. Based upon the materials submitted at final hearing, it is certainly clear that the 20-mile radius I drew at a preliminary stage is inappropriate. It is also evident that, given New Jersey's status as a "corridor" state, and plaintiff's location on a well-traveled lane within this corridor, the evidence offered by plaintiff in this proceeding, while not of scientific authenticity and reliability, is entitled to some weight, and as the factfinder, I do accord it at least that weight which sees it as illustrative of the trend of plaintiff's business.

I am not unmindful of defendants' Roper study and its disparagement of plaintiff's evidence. Roper, however, overlooks the obvious; no one contends that the various materials submitted by plaintiff are 100% accurate. What is to be drawn from such evidence is that plaintiff's businesses in Flemington serve people throughout New Jersey and, presumably, having done so for several years, will continue to do so in the future. Indeed, as our population's mobility continues to increase, plaintiff's penetration of New Jersey predictably will become more marked.

I therefore conclude that plaintiff is entitled to claim as its trade area all of New Jersey. In so holding, I rely upon the aforementioned data, notwithstanding that it reflects a state of affairs post-May 1972, by which time WKNC had received its federal registrations. Data as of May 1972

was not available, however, I will presume that operations at the Flemington facilities were at that time substantially the same as depicted in the studies submitted.

The Beach Haven facility was opened after May 1972. However, in view of the disposition of the larger question, it follows that Beach Haven was within the plaintiff's reputation zone.

I likewise find that plaintiff is entitled to a zone of protection extending into Pennsylvania, to be measured by a radius of 40 miles from Flemington.

Defendants' contention of laches is without merit and their counterclaims are dismissed with prejudice. Plaintiff is entitled to an accounting, with costs.

In view of the disposition of this matter it is unnecessary to deal separately with the remaining counts of plaintiff's complaint. Where the Lanham Act is not the source of the right sued upon, state law applies. *Artype, Inc. v. Zappulla*, 228 F.2d 695 (2d Cir. 1956); *Maternally Yours, Inc., v. Your Maternity Shop, Inc.*, 24 F.2d 538, 540-41 n. 1 (2d Cir. 1956). In this case, however, the choice of law presents no real problems, since trademark use is accepted as a general common law requirement, with no discernible differences from jurisdiction to jurisdiction. Federal registration does not alter the basic common law requirement of use. The Lanham Act does not create the trademark right; it only recognizes the right acquired through use, *Radio Shack Corp. v. Radio Shack, Inc.*, 180 F.2d 200 (7th Cir. 1950); Vandenburg, *Trademark Law & Procedure*, Section 2.10 (2d ed. 1968).

Both parties have suggested that the Lanham Act's cancellation and concurrent registration provisions be utilized by this court to expedite a conclusion of all litigation.

The beginning point in dealing with concurrent registration questions is Sec. 2(d) of the Lanham Act, 15 U.S.C. Sec. 1052(d).

... when the Commissioner determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the ... place of use of the marks ... concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (i) the earliest of the filing dates of the applications pending or of any registration issued under this chapter. ...

Congress further provided in Section 2(d) of the 1946 Act: "In issuing concurrent registrations, the Commissioner shall prescribe conditions and limitations as to ... place of use of the mark."

Congress further provided in Section 18 (15 U.S.C. Sec. 1068):

That in the case of the registration of any mark based on concurrent use, the Commissioner shall determine and fix the conditions and limitations provided for in subsection (d) of section 2 of this Act.

Section 2(d) also provides (15 U.S.C. Sec. 1052(d):

Concurrent registrations may also be issued by the Commissioner when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce.

See Avon Shoe Co., Inc. v. David Crystal, Inc., 171 F. Supp. 293, *aff'd*, 279 F.2d 607 (2d Cir. 1960), *cert. den.*,

364 U.S. 909 (1960); *Coastal Chemical Co., Inc. v. Dust-A-Way, Inc.*, 263 F. Supp. 351 (W.D. Tenn. 1967).

In *Safeway Stores, Inc. v. Safeway Quality Foods, Inc.*, 433 F.2d 99 (7th Cir. 1970), it was held appropriate that the district court certify to the Commissioner that it had been determined by that court that concurrent registration of the disputed marks was indicated, leaving it to the Commissioner to prescribe the conditions and limitations of such use.

It is believed, however, that the better rule is that of *Old Dutch Foods, Inc. v. Dan Dee Pretzel & Potato Chip Co.*, 477 F.2d 150, 156 (6th Cir. 1973), holding that the court with proceedings before it should itself under 15 U.S.C. Sec. 1071(b)(1), deal with cancellation "or such other matter as the issues in the proceeding require. . . ."

Accordingly, the Commissioner is directed to cancel WKNC's present registrations and to issue concurrent registrations to plaintiff and WKNC. The registrations shall reflect that the place of use of plaintiff's mark shall be New Jersey and so much of Pennsylvania as is included within the area defined herein and that the place of use of WKNC's mark shall be the remainder of the United States; that plaintiff's mark shall be defined as "Weiner King" or "Wiener King"; that WKNC's mark shall be as previously registered.

Submit an appropriate form of judgment on notice within 10 days.

/s/ Frederick B. Lacey
FREDERICK B. LACEY,
United States District Judge.

Dated: January 9, 1976.

APPENDIX B

LETTER OPINION OF THE UNITED STATES DISTRICT COURT

District of New Jersey

Civil 75-1018

WIENER KING, INC.

vs.

WIENER KING CORP., et al.

LETTER OPINION
(Dated February 9, 1976)

Jeffrey L. Miller, Esq.
Bain Gilfillan & Rhodes
17 Academy Street
Newark, N.J. 07102

Andrew T. Berry, Esq.
McCarter & English
550 Broad Street
Newark, N.J. 07102

Gentlemen:

Counsel having moved for certain relief connected with the Court's opinion of January 9, 1976, the Court rules as follows:

1. Defendants' motion to modify so much of the Court's determination extending plaintiff's protection to a 40-mile radius adequately supports the proposition that, within

that 40-mile radius, plaintiff had established a zone of reputation.

2. Defendants' motion to modify so much of the Court's determination as ordered an accounting is denied, except that the accounting is ordered as to the defendant Wiener King Corporation.

3. Defendants' motion for a protective order under Fed. R. Civ. P. 26 (c)(7) is denied as untimely. It appears the information became available several months ago, with what was deemed confidential at the time deleted from certain documentation by defendants' counsel. It would now be unfair, at this juncture, to grant this application.

4. With consent of the parties, plaintiff's claims against the individual defendants are dismissed and the injunction should be expanded to cover the principals, agents and employees of the defendant corporations.

5. Plaintiff's request that there be a disclaimer of association between plaintiff and Wiener King Corporation in any national advertising, to the extent that such seems likely to be circulated widely in New Jersey, e.g., the Wall Street Journal, is granted. A disclaimer should generally be in the form suggested by plaintiff.

6. Plaintiff's motion to delete from the Court's opinion, and any order or judgment entered thereon, reference to concurrent use registration, is granted. Plaintiff's counsel has represented that (a) he did not place this issue before this Court, and (b) there are matters he wishes to explore in discovery before the Trademark Trial and Appeal Board.

7. Plaintiff moves to amend the Court's opinion to delete or modify the characterization as "innocent" of the adoption of the disputed mark by defendant Wiener King Corporation in North Carolina. I decline to do so. I will,

however, state that my characterization was intended to define the adoption as "innocent" in the sense that there was nothing in the record to indicate that the defendant knew of plaintiff's mark when it first adopted its own.

8. This Court's opinion is modified, as requested by plaintiff, with respect to the date it opened its Beach Haven Restaurant.

Submit an appropriate Order.

Very truly yours,

FREDERICK B. LACEY
U.S.D.J.
/s/ Frederick B. Lacey

APPENDIX C

ORDER AND FINAL JUDGMENT OF THE
UNITED STATES DISTRICT COURT

For the District of New Jersey

Civil Action No. 75-1018

WIENER KING, INC.,
a New Jersey corporation,*Plaintiff,**vs.*THE WIENER KING CORPORATION,
a North Carolina corporation, et al.,*Defendants.*

The findings of fact and law in the above-captioned case having been previously set forth by this Court in its Memorandum Opinion of January 9, 1976, and the Court having considered and determined applications by the parties under Rule 52 to amend the findings, it is on this 5 day of March, 1976

ORDERED:

1. Defendants The Wiener King Corporation, Operational Systems, Inc. and Jed Associates, Inc. and their principals, agents and employees are enjoined, in the State of New Jersey and in that part of the State of Pennsylvania within a radius of 40 miles of Flemington, New Jersey, from using the terms WEINER KING, WEINER KING & DESIGN, WIENER KING and/or WIENER KING & DESIGN (the "Mark") or any designation which is con-

fusingly similar thereto in connection with (a) operating restaurants, and constructing restaurant facilities; (b) negotiating for the sale of franchises for restaurant services using the Mark, to be located in the Enjoined Territory; (c) awarding franchises for restaurant services using the Mark, to be located in the Enjoined Territory; and (d) advertising within the Enjoined Territory for the sale of franchises using the Mark except by means of publications of general circulation published outside the Enjoined Territory PROVIDED THAT advertisements in publications of general circulation published outside the Enjoined Territory which are circulated widely in New Jersey shall conspicuously bear a disclaimer in the general form: "Not Associated with Wiener King, Inc. of New Jersey";

2. Defendants' counterclaims are dismissed with prejudice;

3. Defendants' Motion to Dismiss against individual Defendants is granted;

4. Pursuant to 28 U.S.C §1920, 28 U.S.C. §1923(a), and Federal Rule of Civil Procedure 54(d), Plaintiff is awarded costs;

5. Plaintiff is awarded an accounting from the Defendant The Wiener King Corporation for any monies accepted and retained from the sale of Wiener King franchises in plaintiff's zone of protection, except monies accepted and retained for the sale of franchises using marks other than the Mark.

6. The Commissioner of Patents & Trademarks is directed to cancel Defendant THE WIENER KING CORPORATION's Federal Service Mark Registrations Nos. 934,504, 934,596, and 934,597 and to subsequently reopen proceedings on concurrent use and pending applications of plaintiff and defendant The Wiener King Corporation including the form of mark used in the cancelled registrations;

7. Pursuant to 15 U.S.C. §1119, the Clerk of this Court is directed to certify a copy of this Order to the Honorable Commissioner of Patents & Trademarks, Washington, D.C. 20231.

8. Defendants' application for a stay of the injunctive and other relief in favor of plaintiff herein, pursuant to Rule 62, is denied.

/s/ Frederick B. Lacey
FREDERICK B. LACEY,
U.S.D.J.

APPENDIX D

OPINION AND JUDGMENT OF THE UNITED STATES COURT OF APPEALS

For the Third Circuit

No. 76-1589

WIENER KING, INC.,
a New Jersey Corporation

vs.

WIENER KING CORPORATION, THE, a North
Carolina Corporation, OPERATIONAL SYSTEMS,
INC., a Delaware Corporation, JED ASSOCIATES,
a New Jersey Corporation, ROBERT ALEX,
CARY ALEX, JOSEPH E. DIAZ, FRANK M. LEO
and other unknown persons, individually,
THE WIENER KING CORPORATION, OPERATIONAL
SYSTEMS, INC., and JED ASSOCIATES,
Appellants.

(D.C. Civil Action No. 75-1018)

Appeal from the United States District Court for the
District of New Jersey

Argued September 8, 1976

Before: Adams, Rosenn, and Garth, *Circuit Judges*

OPINION OF THE COURT
(Filed October 21, 1976)

ANDREW T. BERRY,
McCARTER & ENGLISH
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PER CURIAM

This appeal involves a dispute over the use of the "Wiener King" trademark. Plaintiff Wiener King, Inc. is a New Jersey corporation which began to use the trademark in Flemington, New Jersey, in 1962. It has never

obtained federal registration. Defendant Wiener King Corporation (WKNC) is a North Carolina corporation which innocently adopted the mark in North Carolina in 1970 and federally registered its mark in 1972. Plaintiff filed a complaint in the District Court for the District of New Jersey seeking to enjoin WKNC from using the mark in New Jersey. The district court enjoined WKNC from using the mark anywhere in the State of New Jersey and in those parts of Pennsylvania within a 40 mile radius of Flemington. In addition, the district court directed the Commissioner of Patents and Trademarks to cancel WKNC's federal registrations and to reopen the concurrent use proceedings then pending before him. Because we have determined that plaintiff failed to meet its burden of proof, we conclude that plaintiff is entitled to injunctive relief as to only those areas conceded by defendant. We also conclude that the record does not support the district court's order cancelling WKNC's registrations.

I.

In 1962, plaintiff opened a restaurant in Flemington on Route 31-202 under the name "Wiener King"¹ contained within a crown-shaped design. Thereafter, plaintiff incorporated in New Jersey as Wiener King, Inc. in 1966. In 1967, plaintiff opened a second facility in Flemington at Turntable Junction. In 1973 it opened a third facility in the seashore resort of Beach Haven, New Jersey. This facility operated only during the summer months. A fourth facility was opened in Flemington in 1975. Plaintiff obtained New Jersey registration for its mark² in September 1974 and filed applications for federal registration in May 1975, shortly before the initiation of this action.

1. Although the pleadings refer to plaintiff as Wiener King, apparently some of plaintiff's signs and insignia use the name Weiner King.

2. See 56 N.J.S.A. § 3-13.1 *et seq.*

WKNC innocently adopted the mark "Wiener King" used with a crown-shaped design in North Carolina in 1970. WKNC obtained federal registrations by May 1972, several months before it learned of plaintiff's use of the mark in Flemington. WKNC has expanded rapidly since its organization. By late 1975, when the district court heard oral argument in this case, WKNC's counsel represented that more than 100 facilities in 20 states were either open, under construction, or under site development.

After learning of plaintiff's prior use of the "Weiner King" mark in Flemington, WKNC advertised the sale of franchises in national media. According to the parties' joint stipulation in June 1975, WKNC was at that time "actively soliciting franchises in the State of New Jersey in counties other than Hunterdon County," in which Flemington is located.

II.

On May 29, 1975, plaintiff filed applications with the Patent and Trademark Office for federal registrations and simultaneously initiated cancellation proceedings against WKNC's registrations. As a result, the Patent and Trademark Office declared the institution of concurrent use proceedings to decide the parties' respective rights to federal registrations of the "Wiener King" mark. In November 1975, these proceedings were stayed pending the outcome of the instant district court litigation.

On June 11, 1975, plaintiff filed a five-count complaint in the District Court for the District of New Jersey and named as defendants, in addition to WKNC, several corporations and individuals alleged to have negotiated the sale of franchises in New Jersey for or with WKNC. The complaint

claimed "Federal Unfair Competition" (Count I), "Common Law Unfair Competition" (Count II), "New Jersey Unfair Competition" (Count III), "New Jersey Trademark Infringement" (Count IV), and "New Jersey Fraudulent Advertising" (Count V). It sought an injunction against WKNC's use of the mark in New Jersey, as well as an accounting.

On plaintiff's application, the court issued a preliminary injunction which enjoined WKNC from using the mark within 20 miles of Flemington or Beach Haven.

The parties stipulated all the essential facts but two. First, WKNC claimed that its mark was neither identical nor confusingly similar to plaintiff's. Second, the parties disputed the extent of plaintiff's trade area. On this question, both parties submitted statistical evidence.

III.

The district court's opinion dealt primarily with plaintiff's rights under common law principles. It held that plaintiff's New Jersey registration did not enlarge the rights plaintiff enjoyed under common law. It also found that plaintiff's and WKNC's marks were confusingly similar, despite the different spellings ("Weiner" for plaintiff as opposed to "Wiener" for WKNC) and defendant's claim that the pronunciation differs (Wee-ner for plaintiff and Wy-ner for defendant).

Turning to plaintiff's common law rights, the district court held that prior users are not automatically entitled at a minimum to state-wide protection. See 3 R. Callman, *The Law of Unfair Competition and Monopolies* §76.3(b)(1) at 310 (1969). It also rejected the argument that the trade area of a retail store always commands a radius of 50 to 70 miles from its location. *Id.* at §76.3(b)(1) at 314-15.

Recognizing that plaintiff was entitled to protection within its trade area, the court observed that a trade area consists of 1. the zone of potential expansion, 2. the advertising zone, and 3. the reputation zone. Since the court found that plaintiff had no plans for expansion and did little advertising, it based its injunctive decree exclusively on plaintiff's reputation zone.

Plaintiff's evidence to support a "reputation zone" extending throughout the State of New Jersey consisted of a survey³ showing the residences of its patrons; data showing the residences of customers of other Flemington businesses; and a study of traffic flow in the Flemington area. This evidence was intended to prove that plaintiff's "reputation" was known throughout the state and that therefore its trade area was coextensive with its reputation zone and should be protected by injunction throughout the entire state. The district court also took judicial notice that: New Jersey is a "corridor" state; Route 31-202, on which plaintiff's original facility is located is a "well travelled lane"; and Flemington holds certain tourist attractions.

Based on this evidence, the court enjoined WKNC from using its mark in New Jersey and in parts of Pennsylvania within 40 miles of Flemington. Its order also directed the Commissioner to cancel WKNC's federal registrations and to reopen the concurrent use proceedings which were pending before the Patent and Trademark Office and

3. WKNC objected strenuously to the admission into evidence of plaintiff's survey. It argued that the questionnaires which were made available to plaintiff's patrons were not "controlled" in that no efforts were made to insure that all plaintiff's patrons participated and completed questionnaires on each of their visits. WKNC argued further that plaintiff's survey did not reflect those parties who chose not to complete the questionnaires. Other defects in plaintiff's questionnaires were asserted by a WKNC expert, Burns W. Roper, who was also responsible for preparing a Roper Survey on behalf of WKNC. Despite these objections, the district court admitted plaintiffs' survey and data in evidence and relied upon them in its discussion and order.

which had been stayed by virtue of the district court litigation.⁴ It is from this order that WKNC appeals.⁵

IV.

WKNC argues that plaintiff failed to meet its burden of proof to sustain the trade area found by the district court. We agree.

In considering the zones of "potential expansion" and "advertising" as bases on which to predicate the trade area contended for by plaintiff, the district court found no evidence in the record sufficient to support plaintiff's claims. Consequently, if limited to just those two factors, the district court indicated that the plaintiff's trade area could not extend beyond Flemington. Memorandum Opinion at 17. We accept these findings and conclusions of the district court as they relate to the zones of advertising and expansion. See *Government of Virgin Islands v. Gereau*, 502 F.2d 914 (3d Cir. 1974).

However, the district court, as noted, based its injunctive decree on findings that plaintiff's reputation extended

4. Initially, in its opinion of January 9, 1976, the district court had directed that the Commissioner issue concurrent registrations to both parties. Plaintiff's registration was to include the same area as the district court's injunction, and WKNC's was to include the rest of the country. However, after the court issued its opinion, plaintiff moved to have the concurrent use determination deleted. Plaintiff argued that it had not requested that such a determination be made and that it had not been aware that that question would be decided by the district court in this litigation. It also claimed that there was virtually no evidence in the record that WKNC had requested or contemplated such a determination. On March 5, 1976, the court amended its opinion by deleting the concurrent use determination, but it retained the direction that WKNC's registration be cancelled. It also disposed of the injunction and the other issues presented by the pleadings. Together with the injunction, the district court awarded an accounting to the plaintiff "for any monies accepted and retained from the sale of [WKNC] franchises in plaintiff's zone of protection. . . ."

5. The only defendants appealing are Wiener King Corp. (WKNC) and Jed Associates, both of whom are referred to throughout this opinion as WKNC.

throughout the State of New Jersey and part of Pennsylvania. We are troubled by the lack of supporting evidence for these findings. The plaintiff concedes, as it must, that short of its statistical evidence and those facts as to which the district court took judicial notice, there is no other evidence bearing on "reputation" which could sustain a finding that plaintiff's reputation zone encompassed all of New Jersey and part of Pennsylvania. The district court's opinion recognized that

[t]he assembled data, while illuminating and helpful, falls short of establishing conclusively the farthest reaches of plaintiff's trade area. Yet I can only rely upon what I have, and from such data derive inferences which represent my best efforts to resolve this troublesome question.

Memorandum Opinion at 20. We, on the other hand, feeling free to deal with the underlying facts in the absence of demeanor evidence,⁶ *Universal Athletic Sales Co. v. Salkeld*, 511 F.2d 904, 907 (3d Cir. 1975), have concluded that there is a fatal flaw and gap in plaintiff's proof.

Even assuming, without deciding, that plaintiff's survey and its other statistical evidence were admissible,⁷ they do not establish the extent of plaintiff's zone of reputation. Plaintiff's survey does indeed show the residences of some of its patrons, but the nexus between proof of residence and proof of reputation is missing. The fact that *some* persons who resided a significant distance from Fleming-

6. The district court's opinion notes that "[m]ost of the critical facts have been stipulated." Memorandum Opinion at 5.

7. WKNC has vigorously attacked the admission of plaintiff's survey and have cited the standards contained in the Manual for Complex Litigation § 2.172 (3d ed. 1973) for the admission of polls and surveys. In view of our disposition, we perceive no need to reach or decide the issue of admissibility, for as noted in the text, even assuming that the survey was admissible, we find it completely lacking in probative value as to "reputation."

ton or Beach Haven happened to patronize one of plaintiff's restaurants simply does not prove that plaintiff's reputation zone encompasses their home towns or counties. Many may have patronized plaintiff's facilities for reasons wholly unrelated to plaintiff's reputation. A substantial number of patrons, for example, may have eaten at a Wiener King only because they happened to drive by at meal time. Other customers who lived some distance from Flemington or Beach Haven may have been tourists or vacationers who were visiting those towns on a single occasion. The fact that some people from fairly distant points patronized plaintiff does not establish: 1. that those patrons had ever heard of Wiener King's reputation before visiting there; or 2. that they ever returned; or 3. that they spoke of or extolled plaintiff or plaintiff's reputation in their home communities; or 4. that anyone who heard of plaintiff through such a patron was thereby influenced to patronize Wiener King.

It is quite clear that plaintiff's survey, at best, proved only that *some* of its customers, *viz.*, those who completed questionnaires, resided in various parts of New Jersey and Pennsylvania. Neither the district court's opinion concluded nor did plaintiff's brief argue that the survey accurately measured the distribution of plaintiff's business in terms of percentages. Although the district court stated that the survey revealed "broad percentages" (Memorandum opinion at 6), it never mentioned the percentage of plaintiff's business attributable to any of the areas which it included within the scope of its injunction. In addition, since many of those regions, according to plaintiff's own survey, accounted for only a miniscule portion of plaintiff's business, it is evident that the court based its holding, not on the percentage of customers who lived in a given area, but on the simple fact that *some*, if perhaps only *one*, of plaintiff's patrons resided there. See *Id.* at 6-7. We note that the district court's injunction encom-

passing the entire State of New Jersey includes Cape May County. Yet plaintiff's own survey (A.146) reveals that no customers from Cape May County patronized the Flemington Wiener King on Route 31-202. Plaintiff conceded at oral argument that Cape May County should have been excluded from the court's injunction.

Plaintiff also maintains that "the Prior User's [plaintiff's] protectable trade territory is not a function of the percentage of the patrons residing at specific areas, but is a function of the geographical extent of the residence of the patrons." Brief for Plaintiff-Appellee at 56-57. Plaintiff states succinctly that "it is the *where* not the *how many*, which counts." (Emphasis in original.) *Id.* at 58. Even if we were to accept this proposition, which we do not, plaintiff's proof of reputation would still be deficient. Proof would still be required that an individual from a particular geographical area patronized plaintiff's establishment because of plaintiff's reputation. That proof is just not present in this record.

Plaintiff's other statistical evidence and the facts noticed by the district court are even less probative of reputation. Consequently, it is apparent that plaintiff, having failed to prove the elements of "expansion" or "advertising," which would justify its claimed trade area, has similarly failed to carry its required burden of proof demonstrating "reputation."

Absent proof that plaintiff's "advertising," "expansion," or "reputation" would operate to extend plaintiff's trade area beyond the locale where its products are sold, we are obliged to limit plaintiff's protection to just that area of sale, *i.e.*, Flemington. However, WKNC has conceded that plaintiff should be protected within a 15 mile radius of Flemington, and we know no reason why we should not hold WKNC to that concession. Accordingly, as re-

spects plaintiff's Flemington facilities, we will direct that the district court modify its order and injunction to provide protection for plaintiff limited to a 15 mile radius from Flemington as conceded by WKNC.

V.

With respect to the concurrent use proceedings, the pertinent portion of paragraph 6 of the district court's order of March 5, 1976, provides:

6. The Commissioner of Patents & Trademarks is directed . . . to subsequently reopen proceedings on concurrent use and pending applications of plaintiff and defendant The Wiener King Corporation including the form of mark used in the cancelled registrations. . . .

Despite WKNC's contention that the district court itself should have disposed of the concurrent use issue and permitted concurrent registrations for plaintiff and WKNC, we believe that the district court on this record was justified in directing the Commissioner to reopen its concurrent use proceedings. Finding no abuse of discretion pertaining to this aspect of the district court's order, we will affirm so much of the March 5, 1976 order as directs the Commissioner to reopen proceedings on concurrent use.

VI.

In its opinion, the district court initially disposed of the concurrent use issue. It did so by directing the Commissioner to

cancel WKNC's present registrations and to issue concurrent registrations to plaintiff and WKNC. The registrations shall reflect that the place of use of plaintiff's mark shall be New Jersey and so much of Pennsylvania as is included within the area defined

herein and that the place of use of WKNC's mark shall be the remainder of the United States; that plaintiff's mark shall be defined as "Weiner King" or "Wiener King"; that WKNC's mark shall be as previously registered.

Memorandum Opinion at 25. Hence, the cancellation action was taken in conjunction with and as a part of the district court's actions respecting concurrent registration. Thereafter, the plaintiff having objected to the concurrent use disposition, the court without further explanation or discussion entered its orders of March 5, 1976, which: 1. deleted from its opinion the grant of concurrent registrations; 2. directed cancellation of WKNC's registrations; and 3. directed the Commissioner to continue proceedings on concurrent use.

In light of the transfer of the concurrent use proceedings to the Commissioner for his resolution, we have difficulty understanding or finding a basis for the district court's action in cancelling WKNC's registration. We could understand that action as a part of the entire disposition of the concurrent use issue by the district court. Standing alone, however, the cancellation action taken by the district court appears to us to be an improper exercise of the district court's discretion, particularly in light of a silent record which does not sustain this action.

In fact, even the plaintiff appeared to concede at oral argument that if the concurrent use proceedings are to be transferred to the Commissioner, then so should the cancellation proceedings. Hence, we will also direct the district court to modify its order of March 5, 1976 by vacating so much of that order as cancels WKNC's registration and by providing that both the issues of cancellation and concurrent registrations be transferred to the Commissioner for disposition and resolution.

VII.

Because the Commissioner will now make the cancellation and concurrent use determination, we think that it would also be appropriate that the Commissioner consider the issues concerning plaintiff's Beach Haven facility.

Under the district court's theory, Beach Haven, of course, was included within plaintiff's state-wide reputation zone. As a result, the district court was not required to give independent consideration to this facility. Under the modified order which we have directed the district court to enter, Beach Haven is outside the 15 mile radius and therefore must be considered separately and independently in connection with plaintiff's complaint and proofs. As we have observed, WKNC's federal registrations were obtained in 1972. Since those registrations predated the opening of plaintiff's Beach Haven restaurant in 1973, the effect of WKNC's registration on plaintiff's Beach Haven facility must be assessed. In light of our approval of the district court's order, which permits the concurrent use determination to be made by the Commissioner, we think that it would be premature and inappropriate for the district court to act with respect to the Beach Haven facility before the Commissioner has concluded his proceedings. Accordingly, jurisdiction of this aspect of the plaintiff's case will be reserved and retained in the district court pending the Commissioner's determination in the cancellation and concurrency proceedings. To preserve the status quo until that determination is made, we will direct the district court to modify its order to restrain WKNC's from using the mark on Long Beach Island, the island on which Beach Haven is located.

VIII.

Inasmuch as the modifications we have ordered with respect to the injunction decreed by the district court

may have mooted or may have otherwise affected the accounting portion of the district court's order, (paragraph 5)⁸ we will also remand the issue of accounting to the district court for its consideration in light of our directions.

IX.

We will therefore reverse and remand to the district court for those further proceedings required by our directions, including the modification of its March 5, 1976 order in a manner consistent with this opinion.

TO THE CLERK:

Please file the foregoing opinion.

JUDGMENT

This cause came on to be heard on the record from the United States District Court for the District of New Jersey and was argued by counsel.

On consideration whereof, it is now here ordered and adjudged by this Court that the judgment of the said District Court, filed March 5, 1976, be, and the same is hereby reversed and the cause is remanded to the district court for those further proceedings required by the directions of this Court, including the modification of its March 5, 1976, order in a manner consistent with the opinion of this Court. Costs taxed against the appellee.

DATED: October 21, 1976.

ATTEST:

/s/ Thomas
Clerk

8. Paragraph 9 of the district court's order of March 5, 1976, provides:
5. Plaintiff is awarded an accounting from the Defendant The Wiener King Corporation for any monies accepted and retained from the sale of Wiener King franchises in plaintiffs' zone of protection, except monies accepted and retained for the sale of franchises using marks other than the Mark.

APPENDIX E

ORDER ON REMAND OF THE
UNITED STATES DISTRICT COURT

For the District of New Jersey
Civil Action No. 75-1018

WIENER KING, INC.,
a New Jersey corporation,

Plaintiff,

vs.

THE WIENER KING CORPORATION, a North
Carolina corporation, OPERATIONAL SYSTEMS,
INC., a Delaware corporation, and JED ASSOCIATES,
a New Jersey corporation,

Defendants.

ORDER ON REMAND

This matter being opened to the Court by McCarter & English, Esqs., attorneys for The Wiener King Corporation (WKNC) Jed Associates and Operational Systems, Inc., on notice to Caryl Bain, Gilfillan & Rhodes, Esqs., attorneys for plaintiff, and it appearing that by its Judgment of October 21, 1976 the United States Court of Appeals for the Third Circuit reversed this Court Order and Final Judgment of March 5, 1976, and remanded the cause to this Court for further proceedings required by the Court of Appeals, and good cause appearing,

IT IS on this 29 day of Nov. , 1976

ORDERED that:

1. Paragraphs 1, 5 and 6 of this Court's Order and Judgment of March 5 1976 are hereby vacated;

2. Defendants The Wiener King Corporation, Operation Systems, Inc. and JED Associates, Inc., and their principals, agents and employees, are hereby enjoined and restrained from using the mark WEINER KING, WEINER KING & DESIGN, WIENER KING and/or WIENER KING & DESIGN (the "Mark") within a fifteen (15) mile radius of the geographic center of Flemington, New Jersey, as set forth on the map annexed to this Order as Exhibit A, (the "Enjoined Territory") in connection with (a) operating restaurants, and construction restaurant facilities; (b) negotiating for the sale of franchise for restaurant service using the Mark, to be located in the Enjoined Territory; (c) awarding franchises for restaurant services using the Mark, to be located in the Enjoined Territory; and (d) advertising within the Enjoined Territory for the sale of franchises using the Mark except by means of publications of general circulation published outside the Enjoined Territory PROVIDED THAT advertisements in publications of general circulation published outside the Enjoin Territory which are circulated widely in the Enjoined Territory shall conspicuously bear a disclaimer in the general form: "Not Associated with Wiener King, Inc. of New Jersey."

3. Jurisdiction with respect to the respective parties rights to use of the Mark on Long Beach Island, New Jersey, is hereby reserved and retained in this Court along with disposition of this aspect of WKNC's related counterclaim, pending determinal of such rights by the Commissioner of Patents and Trademarks, and pending such determination, defendants The Wiener King Corporation, Operational Systems, Inc. and JED Associates, Inc., and the principals, agents and employees, are enjoined and restrained from using the Mark on Long Beach Island in

connection with (a) operating restaurants, and constructing restaurant facilities; (b) negotiated for the sale of franchises for restaurant services using the Mark to be located on Long Beach Island; (c) awarding franchises for restaurant services using the Mark, to be located on Long Beach Island and (d) advertising within Long Beach Island for the sale of franchises using the Mark except by means of publications of general circulation published outside Long Beach Island PROVIDED THAT advertisements in publications of general circulation publish outside Long Beach Island which are circulated widely in Long Beach Island shall conspicuously bear a disclaimer in the general form "Not Associated with Wiener King, Inc. of New Jersey";

4. The Commissioner of Patents and Trademarks is direct to reopen proceedings on concurrent use and pending applications of plaintiff and WKNC, including the form of Mark used in the registration of WKNC, and including the rights of the respective parties to the use of the Mark on Long Beach Island, New Jersey, and including plaintiff's application for the cancellation of WKNC's present registrations;

5. Pursuant to 15 U.S.C. §1119, the Clerk of this Court is directed to certify a copy of this Order to the Honorable Commissioner of Patents Trademarks, Washington, D.C 20231.

6. In the event that WKNC has accepted and retained any monies from the sale of Wiener King franchises using the Mark in the Enjoined Territory, plaintiff is entitled to an accounting in connection therewith.

7. Pursuant to 28 U.S.C. §1292(b) the status of WKNC's counterclaim for cancellation of plaintiffs New Jersey state trademark registration of the Mark, and the issue as

to which party is entitled to costs arising out of the original trial of this action are hereby certified to the United States Court of Appeals for clarification.

/s/ Frederick B. Lacey
FREDERICK B. LACEY,
U.S.D.J.

WE HEREBY CONSENT TO THE FORM
OF THE WITHIN ORDER.

/s/ Jeffrey L. Miller
Carella Bain, Gilfillan & Rhodes
Attorneys for Plaintiff

APPENDIX F

PETITION FOR LEAVE TO APPEAL
UNITED STATES COURT OF APPEALS

For the Third Circuit
Docket No. 76-1589
D.N.J. Docket No. 75-1018

WIENER KING, INC.,
Petitioner-Plaintiff,

vs.

THE WIENER KING CORPORATION, OPERATIONAL
SYSTEMS, INC., and JED ASSOCIATES,
Respondents-Defendants.

PETITION FOR LEAVE TO APPEAL

TO: THE HONORABLE JUDGES OF
THE UNITED STATES COURT
OF APPEALS FOR THE THIRD
CIRCUIT

The Petition of Wiener King, Inc. respectfully represents:

1. This Petition seeks leave to appeal, under Section 1292(b) of Title 28 of the United States Code, from an Order entered on December 6, 1976, in the United States District Court for the District of New Jersey in the above entitled cause.

2. This Court has previously rendered a decision in this case by an Opinion filed October 21, 1976, wherein this

Court reversed the United States District Court for the District of New Jersey and remanded the cause thereto for further consideration in light of the Opinion of this Court.

3. There are certain issues, as are more particularly set forth below, incident to the disposition of this case in the Court below which the Court below is unable to resolve on the basis of the Opinion of this Court. Accordingly, the United States District Court for the District of New Jersey in the aforesaid Order has certified these issues to this Court for clarification.

The United States District Court for the District of New Jersey has additionally embraced in the aforesaid Order a provision which Petitioner respectfully contends is inconsistent with this Court's aforesaid Opinion. This provision, set forth below, effectively transfers to an administrative tribunal that which this Court may well have deemed settled, and this Court's consideration of this issue at this time will aid in discouraging subsequent appeals and possibly in discouraging a significant amount of duplicative administrative adjudication.

4. This Court's aforesaid Opinion has significantly changed the law that this Court and other Circuit Courts of Appeals have previously applied to similar cases, and has effectively removed from consideration certain procedural and evidentiary matters without setting forth any guidelines for future proceedings. As set forth below, such a change in the law directly affects the further proceedings in this case, since new matters have arisen since trial which will require additional proceedings. The disposition of this issue and the setting of appropriate guidelines will aid in discouraging subsequent appeals and will facilitate the further conduct of this case.

5. Upon information and belief, Respondent joins Petitioner in seeking clarification of those issues certified to

this Court in the aforesaid Order. Petitioner is only nominally the Petitioner as between the interested parties, and all interested parties as well as the Court below require the clarification sought. Accordingly, Petitioner requests that Petitioner be relieved from any requirement to file a bond in the event that this Petition is granted.

6. STATEMENT CONCERNING THOSE ISSUES WHICH THE DISTRICT COURT HAS CERTIFIED TO THE COURT FOR CLARIFICATION AS TO ITS PREVIOUS OPINION.

A. ISSUES CONCERNING DEFENDANTS' COUNTERCLAIM FOR CANCELLATION OF PLAINTIFF'S NEW JERSEY STATE TRADEMARK REGISTRATION.

Plaintiff instituted this action against Defendants for injunctive relief against Defendants' use of a service mark confusingly similar to Plaintiff's service mark and for cancellation of Defendants' Federal Service Mark Registrations concerning said service mark. Defendants counterclaimed against Plaintiff for trademark infringement and for cancellation of Plaintiff's New Jersey State Registration for said service mark. Judgment was awarded to Plaintiff in the United States District Court for the District of New Jersey on the issue of injunction and cancellation of Defendants' service mark registrations. Defendants' counterclaims at that time were dismissed with prejudice. Subsequently, Defendants took an appeal to this Court, and this Court modified the extent of the injunction and reversed.

At a hearing to settle the Order on this Court's mandate in the Court below, Defendants maintained that the issue of the dismissal of Defendants' counterclaims was properly on appeal, and that this Court's Opinion supports reinstitution of said counterclaims and judgment for Defendants. Plaintiff maintained that Defendants had not assigned

such dismissal of counterclaims as error on appeal, that this Court's Opinion could in no way be construed so as to reverse the District Court in its dismissal of the counterclaims, and that the stipulated priority of use of Plaintiff of the contested mark required dismissal of the counterclaims as a matter of law. This District Court, on the basis of the Opinion of this Court, was unable to resolve the issue and has certified the issue to this Court for clarification.

B. ISSUES CONCERNING THE AWARD OF COSTS AT TRIAL.

The District Court originally awarded statutory trial costs to Plaintiff. This Court awarded appellate costs to Defendants, notwithstanding the fact that Plaintiff prevailed in this appeal on a crucial issue: affirmance of the District Court's transfer of concurrent use proceedings to the United States Patent Trademark Office. This Court's Opinion gave no indication as to whether the District Court's award of statutory trial costs to Plaintiff was to be reversed, modified, or affirmed.

At the hearings to settle Order on a mandate on this Court's Opinion, Defendants argued that they were essentially the prevailing party given this Court's appellate disposition of the case, since the injunction against Defendants would now be essentially the same as that which Defendants had always conceded to the Plaintiff. Plaintiff was the prevailing party at trial and after the appellate disposition, claiming that the relief that Plaintiff is now left with is in excess of that which Defendants had conceded. The District Court was unable to resolve the issue on the basis of this Court's Opinion, and has certified the issue to this Court for clarification.

7. ISSUES CONCERNING PROVISION OF THE DISTRICT COURT'S ORDER AT VARIANCE WITH THIS COURT'S OPINION.

Paragraph 3 of the District Court's Order orders that "jurisdiction with respect to the respective parties' rights to use of the Mark on Long Beach Island, New Jersey, is hereby reserved and retained in this Court along with disposition of this aspect of WKNC's related counterclaim, pending determination of such rights by the Commissioner of Patents and Trademarks . . .". At the hearing to settle the Order, Plaintiff objected to this language on the grounds that Defendants' counterclaims had been dismissed with prejudice, said dismissal was not urged as error on appeal, and that this Court's Opinion did not reverse the District Court's dismissal of the counterclaims. Plaintiff also contended that there existed no basis in law upon which Defendants' counterclaim relating to Plaintiff's use of its Mark on Long Beach Island could be sustained. Plaintiff finally argued that this Court's Opinion expressly stated "accordingly, jurisdiction of this aspect of the Plaintiff's case will be reserved and retained in the District Court pending the Commissioner's determination in the cancellation and concurrency proceedings." [emphasis supplied, Opinion page 14]. Defendants, on the other hand, argued that although this Court's Opinion was unclear, the Opinion can only be rationally interpreted as conferring jurisdiction over the rights of the respective parties' use of the Mark.

The District Court accepted Defendants' analysis, which Petitioner respectfully submits is contrary to this Court's Opinion and is without legal basis.

8. ISSUES WHICH MUST NECESSARILY BE RESOLVED PRIOR TO FURTHER PROCEEDINGS IN THIS CASE.

Contrary to this Court's prediction made at a Pretrial Conference with counsel for the respective parties, this Court's Opinion indeed will have great precedential value. In fact, the decision has made front page news in BNA's Patent, Trademark & Copyright Journal (November 25,

1976). By rejecting the inferential nexus between exposure to a mark and secondary meaning therein, which has always been traditionally accepted in trademark cases as a matter of logic and even more so as a matter of practicality, this Court has drastically altered the law that has been formerly applied by this Circuit and all other circuits. However, in the course of its fifteen page *per curiam* Opinion, this Court cited not one single trademark case as authority for its position, nor did this Court set forth any guidelines whatsoever as to how trademark cases are to be proven in the future. As this Court's Opinion stands, there is a serious void in trademark law that will engender serious controversies over how trademark cases are to be proven, which in turn will inevitably result in numerous appeals to this Court for further clarification.

The law of this circuit is that a party who cannot prove confusing similarity and secondary meaning in a specific area is not prejudiced from subsequently making such proof when such proof is obtained. *Holiday Inns of America v. B & B Corporation*, 409 F.2d 614 (Third Circuit, 1969). This is also the law in other jurisdictions. Accordingly, Plaintiff must make subsequent application to the Court below for injunctive relief as it seeks and obtains further proof of secondary meaning. However, absent the traditional reliance upon an inferential nexus between exposure to the mark and secondary meaning, Plaintiff and the Court below are without guidelines as to the manner of proof which must be submitted. Additionally, Plaintiff has accrued certain rights in an additional geographic location since the trial in this case. Plaintiff foresees imminent clash between the respective parties in this location, and Plaintiff therefore needs judicial guidelines as to the manner of proof that must be submitted at trial. Finally, Plaintiff is currently preparing a Petition for Writ of Certiorari in this case, and subsequent clarification by

this Court can conceivably limit the issues that need be presented in such Petition.

9. REASONS WHY AN IMMEDIATE APPEAL MAY MATERIALLY ADVANCE THE TERMINATION OF THIS LITIGATION.

As to those issues enumerated in paragraph 6, an immediate appeal is necessary to effect termination of the corresponding aspects of this litigation since the District Court is presently unable to interpret this Court's Opinion in those matters.

As to the issue presented in paragraph 7, an immediate appeal will materially advance the termination of this litigation since it may effectively remove a particular issue from the case and may thereby effectively foreclose a full blown administrative adjudication on that issue in the Patent and Trademark Office.

As to the issues detailed in paragraph 8, an immediate appeal may materially advance the termination of this litigation by discouraging piecemeal and final appeals from whatever proceedings must necessarily follow. The guidelines sought will additionally fill a void left in the law by this Court's previous opinion, which will enable the parties to expeditiously complete any further proceedings in this case.

WHEREFORE, Petitioner prays for leave to appeal under Section 1292(b) of Title 28, United States Code, from the Order herein above-described. A copy of the Order is attached hereto.

Respectfully submitted,
CARELLA, BAIN, GILFILLAN
& RHODES, P.A.

Attorneys for
Petitioner-Plaintiff

By: Jeffrey L. Miller
JEFFREY L. MILLER

APPENDIX G

**CROSS-PETITION AND ANSWER TO
PETITION FOR LEAVE TO APPEAL
UNITED STATES COURT OF APPEALS**

For the Third Circuit

Third Circuit

Docket No. 76-1589

D.N.J. Docket No. 75-1018

WIENER KING, INC.,

Petitioner-Plaintiff,

vs.

THE WIENER KING CORPORATION, OPERATIONAL
SYSTEMS, INC. and JED ASSOCIATES,

Respondents-Defendants.

TO: THE HONORABLE JUDGES OF
THE UNITED STATES COURT
OF APPEALS FOR THE
THIRD CIRCUIT

Respondents, The Wiener King Corporation ("WKNC"), Operational Systems, Inc. and Jed Associates, by way of Cross-Petition and Answer to Petition for Leave to Appeal respectfully show:

1. Respondents join in the petition of Petitioner-Plaintiff Wiener King, Inc. with respect to the issues certified to this Court pursuant to 28 U.S.C. §1292(b), by the Honorable Frederick B. Lacey, U.S.D.J., in the District Court's Order of November 29, 1976.

2. The other matters which Petitioner-Plaintiff seeks leave to appeal should not be reviewed by this Court, in-

asmuch as such matters were determined by the District Court in accordance with this Court's Opinion and Judgment of October 21, 1976. Pursuant to this Court's Opinion and the provisions of Paragraph 4 of the District Court's November 29, 1976 Order (as to which provisions Petitioner-Plaintiff does not seek leave to appeal), the Commissioner of Patents and Trademarks will determine the respective parties' rights to the use of the mark on Long Beach Island, New Jersey; it is nearly impossible to assume that the Commissioner will grant concurrent registrations to permit both Plaintiff and WKNC to operate restaurants on Long Beach Island. It is more likely that effect will be given to WKNC's federal registration which pre-dates Plaintiff's opening of its seasonal facility on Long Beach Island. Respondents, as to this issue, do not believe there exists a substantial basis for a difference of opinion.

3. Respondents deny vigorously Plaintiff's unsupported assertion that this Court should issue "guidelines" for the edification of Plaintiff, its counsel, or the BNA Patent, Trademark & Copyright Journal. (Respondents are constrained to note that there existed no legal nor practical bar to Plaintiff's having attempted to obtain admissible probative evidence at the trial of this case in the form of relevant scientifically-conducted polls and surveys; its failure to do so creates, in Respondent's view, an inference that Plaintiff well knew the reputation of its hot dog stand did not extend beyond Flemington.) Similarly, Respondents believe that there can be no "second" trial in this case if the principle of *res judicata* is to have any meaning at all. (Plaintiff's previous suggestion that it could "supplement the record below on remand" contained in its letter of September 23, 1976 to this Court, found no support in this Court's subsequent opinion.) Finally, Respondents do not understand that this Court sits to assist Plaintiff's counsel in preparing a Petition for a Writ of Certiorari.

4. Respondents believe that the other provisions of the District Court's Order of November 29, 1976 require no review by this Court. To the extent that Plaintiff seeks review of matters other than those certified to this Court pursuant to paragraph 7 of the District Court's November 29th Order, Respondents believe that Plaintiff should not be relieved of the requirement to file a bond for costs pursuant to F.R.A.P. 5(d).

WHEREFORE, Respondents pray for leave to appeal the matters set forth in paragraph 7 of the District Court's November 29th Order, and pray that this Court deny Petitioner-Plaintiff's Petition for leave to appeal from any other provisions of said Order.

Respectfully,

McCarter & English
Attorneys for Respondents

By: Andrew T. Berry
Andrew T. Berry
A Member of the Firm

APPENDIX H

ORDER OF THE
UNITED STATES COURT OF APPEALS

For the Third Circuit
Denying Petition and Cross-Petition
for Leave to Appeal

C.A. Misc. No. 76-8255

WIENER KING, INC.,

Petitioner,

vs.

THE WIENER KING CORPORATION, OPERATIONAL
SYSTEMS, INC., and JED ASSOCIATES,
Respondents.

Petition and Cross-Petition for Leave to Appeal
Pursuant to 28 U.S.C. §1292(b)

Before: Adams, Rosenn and Garth, *Circuit Judges*

ORDER

It appearing that by this Court's judgment of October 21, 1976, No. 76-1589, the district court's order of March 5, 1976 was reversed and remanded to the district court for further proceedings and it appearing that thereafter an order of the district court dated November 29, 1976

was entered, which order, among other provisions (*see* paragraph 7) certified two issues for clarification pursuant to 28 U.S.C. §1292(b), and it further appearing that plaintiff petitioned and defendants cross-petitioned for leave to appeal under 28 U.S.C. §1292(b), and it further appearing that plaintiff petitioned and defendants cross-petitioned for leave to appeal under 28 U.S.C. § 1292(b),

It is ORDERED that the petition of Wiener King, Inc. (Petitioner-Plaintiff) and the cross-petition of The Wiener King Corporation, Operational Systems, Inc. and Jed Associates, (Respondents-Defendants) for leave to appeal pursuant to 28 U.S.C. §1292(b) be, and the same are hereby denied.

DATED: Dec. 28, 1976.

BY THE COURT:

/s/
Circuit Judge

APPENDIX J
FEDERAL RULES OF CIVIL PROCEDURE
RULE 52(a)

FINDINGS BY THE COURT

(a) Effect. In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon, and judgment shall be entered pursuant to Rule 58; and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclusions of law which constitute the grounds of its action. Requests for findings are not necessary for purposes of review. Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witness. The findings of a master, to the extent that the court adopts them, shall be considered as the findings of the court. If an opinion or memorandum of decision is filed, it will be sufficient if the findings of fact and conclusions of law appear therein. Findings of fact and conclusions of law are unnecessary on decisions of motions under Rules 12 or 56 or any other motion except as provided in Rule 41(b).